

BluMetric Environmental Inc.

Management's Discussion & Analysis

Financial Quarters Ended March 31, 2021 and March 31, 2020
(expressed in Canadian Dollars)

May 27, 2021

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This Management Discussion and Analysis "MD&A" explains the material changes in BluMetric Environmental Inc's ("BluMetric" or the "Company") financial condition and results of operations for the six months ended March 31, 2021. The MD&A should be read in conjunction with the Company's financial statements and related notes for the period ended March 31, 2021 as well as the MD&A and audited financial statements and notes for the year ended September 30, 2020. The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company.

This discussion and analysis of the financial condition and the results of operations contain forward-looking statements about expected future events and the financial and operating performance of the Company. These statements, which include descriptions of the Company's business strategy, potential variances impacting the Company's internal and external performance drivers, and the Company's ability to meet its ongoing working capital needs through the ensuing 12 months, are included in the "Discussion of Results of Operations", "Liquidity", and "Business Outlook" sections which follow. These statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. This MD&A also makes reference to certain non-GAAP measures to assist users in assessing BluMetric's performance. Non-GAAP measures do not have any standard meaning prescribed by International Financial Reporting Standards ("IFRS") and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures are identified and described under the section "Financial Terms and Definitions".

Business Update – COVID – 19 Pandemic

The global COVID-19 pandemic is now in its second year and continues to create volatility at local, national and global levels.

BluMetric has adapted its operations to effectively service its clients during the pandemic. Central to this has been the Company's Pandemic Response Plan, developed by its Industrial Hygiene/Occupational Health and Safety service line, which establishes health and safety processes to meet or exceed applicable guidelines set by government health authorities. The plan ensures that BluMetric prioritizes the health of its employees and their families, the community, as well as the Company's clients.

Much of BluMetric's project work for the military and mining markets has been deemed essential throughout the pandemic. Other areas, such as real estate and industrial-commercial projects experienced some COVID-19 related postponements or slowdowns but has since shown signs of recovery. Additionally, the industrial hygiene/occupational health and safety service line was able to respond to the demand from customers for solutions to manage and mitigate COVID-19 impacts on their operations.

Significant uncertainty continues regarding both the impact of COVID-19 on the Company and its markets as well as the length of time it will take for the economy to return to pre-COVID-19 levels. Canada continues to roll-out vaccines as it grapples with a recent surge of COVID-19 cases. Accordingly, estimates of the extent to which the pandemic may materially and adversely affect the Company's operations, financial results and condition in future periods are subject to significant uncertainty.

The Company continues to pursue new revenue contracts, actively manage costs and ensure adequate liquidity. BluMetric continues to monitor and actively manage the impacts from COVID-19 on its projects and operations and is well positioned to react quickly to changes in the business climate.

Business Overview and Strategy

BluMetric is a Canadian company that provides cost-effective and sustainable solutions to help its clients overcome even the most difficult environmental and business challenges. Through a track record that spans 40 years, the Company has evolved into a full-service integrator of environmental solutions known for innovative work in the fields of water/wastewater treatment and professional environmental services.

With a focus on four key markets —Mining; Commercial and Industrial; Government; and Military— BluMetric's main services and products include:

- Engineering, Rehabilitation and Design
- Wastewater and Water Treatment Solutions
- Hydrogeology and Hydrology
- Environmental Due Diligence Assessments
- Waste Management (Solid, Liquid, Hazardous)
- Industrial Hygiene and Occupational Health and Safety
- Management Systems and Training

BluMetric's comprehensive, affordable offerings are tailored to the specific needs of not only each industry, but also each client. With innovation, agility and client-responsive service as its hallmarks, the Company builds partnerships with its customers by delivering a long-term, holistic approach to managing their complete environmental needs, and health and safety responsibilities. It is this high degree of service that differentiates BluMetric from competitors.

BluMetric's team of approximately 160 dedicated and passionate employees and its client-centric approach form the underpinning of its success, contributing to the following core elements of its value proposition:

- Solution-oriented consultation, design, products and construction services
- Turn-key solutions – BluMetric provides a complete end-to-end solution from assessment and evaluation to implementation to ongoing service and management
- World class expertise in the analysis, management and treatment of water in the environment
- Water treatment solutions that are compact, energy efficient, reliable and simple to operate

The Company has 10 offices across Ontario, Quebec, Yukon and Northwest Territories. BluMetric is proud to be a trusted provider of services to many of Canada's northern Indigenous communities.

Technology and Innovation

Innovation is driven by client demands as they face more stringent environmental regulations. Developing a scientifically sound and economically viable solution for a specific problem is the creative process that differentiates BluMetric from its competitors.

Despite the business interruption caused by COVID-19, which has placed some research and innovation initiatives on hold, the Company has expanded its standard products for water and wastewater treatment with the further development of a Portable Water Purification System and a Mobile Wastewater Treatment Plant. Both these solutions are highly flexible and cost efficient and allow for rapid deployments for temporary needs, such as temporary exploration and mining camps.

Additionally, the Company still sees demand for solutions that reduce the ammonia concentration in wastewater due to stricter effluent limits for the mining, landfill, and industrial markets.

BluMetric's ammonia removal process, MARS, has been used in several full-scale treatment systems for mining and landfill customers. Environmental compliance, reduced capital costs and reduced operational costs are the main advantages of the MARS process.

BluMetric is committed to pursuing new opportunities in technology and innovation with respect to cost effective water solutions as they arise.

Sales and Marketing

BluMetric's business development efforts are primarily focused on four key markets where the Company has identified the greatest demand for its products and services:

- Mining
- Military
- Commercial and Industrial
- Government (with specific expertise in Northern Canada)

BluMetric uses a client-centric approach to business development, which involves an emphasis on understanding each client's environmental issues and then identifying and preventing potential problems. This approach allows BluMetric to provide a complete and integrated solution.

Satisfied clients provide repeat business as well as incredibly valuable word-of-mouth referrals. BluMetric continues to actively leverage the successes of past projects to expand and diversify client relationships, strategic partnerships and service offerings.

Board of Directors

On February 16, 2021, Ian Mor Macdonald was appointed to the Board of Directors. Ian Mor Macdonald has deep capital market experience as a Founder and Managing Director of Tricapital Solutions Inc., a boutique merchant bank and consultancy firm providing strategic business development and capital markets advice to mid-sized private and public companies. In addition, he has experience on a number of boards and is a member of CPA of Ontario.

The board currently consists of five members, three of whom are independent. The independent directors reflect a wide range of senior experience in the management of publicly traded and privately held companies. The Board members have expertise in finance, operations, management, and governance.

Executive Management

The Senior Management team comprises: Scott MacFabe, Chief Executive Officer; Vivian Karaiskos, Chief Financial Officer; Wayne Ingham, VP, Director of Strategic Business Development; and Andy Benson, VP, Director of Operations, who began his role effective May 10, 2021. Andy Benson is a seasoned environmental professional with over 25 years of consulting experience, including over 12 years in various management and leadership roles.

This team has extensive business and environmental experience and is well supported by highly qualified and experienced managers.

Our People

The BluMetric team consists of approximately 160 experienced and motivated hydrogeologists, engineers, occupational and industrial hygienists, environmental auditors, environmental scientists, chemists, project managers, finance professionals, trades and support personnel. They are experts in providing a comprehensive range of environmental services and engineered solutions, from contaminated site assessment and remediation to complete turn-key wastewater treatment systems.

Staffing levels fluctuate with the hiring of contract staff and students to meet project demands. The Company strives to recruit and retain highly skilled employees who are able to use their technical expertise to deliver creative solutions to complex environmental issues.

Diversity

BluMetric is committed to the principles of diversity. The Company strives to create and support an inclusive work environment that respects and values the contributions of all employees and their individual differences.

BluMetric's employees come from a wide range of cultural, ethnic, educational and religious backgrounds. Additionally, women represent 46% of the workforce from welders and field service technicians to a senior member of the executive team. To that end, BluMetric's goal is to capitalize on the strength derived from diversity while affording its team members the greatest opportunity to excel, grow, and contribute to business and society.

Discussion of Results of Operations

Q2 2021 compared to Q2 2020

	Three Months Ended		Change \$	Change %
	March 31, 2021 \$	March 31, 2020 \$		
Revenue	9,138,727	5,028,246	4,110,481	82%
Gross profit	2,663,523	489,731	2,173,792	444%
Gross margin %	29%	10%		
Operating expenses	1,198,725	1,307,648	(108,923)	(8%)
Goodwill impairment	-	1,592,095	1,592,095	100%
Operating profit (loss)	1,464,798	(2,410,012)	3,874,810	161%
Adjusted EBITDA ¹	1,617,018	(699,842)	2,316,860	331%
Earnings (loss) before income taxes	1,343,277	(2,525,008)	3,868,285	153%
Income tax expense (recovery)	291,455	(256,620)	548,075	214%
Net earnings (loss)	1,051,822	(2,268,388)	3,320,210	146%
Weighted average common shares outstanding	28,683,473	28,675,695	7,778	0.0%
Earnings (loss) per share – basic and diluted	0.04	(0.08)	0.12	150%

Note 1: EBITDA is a non-IFRS measure and is calculated as net income before interest expense, income taxes, depreciation, and amortization. Adjusted EBITDA is a non-IFRS measure (see 'Financial Terms and Definitions') and is calculated as EBITDA before goodwill impairment.

Revenue for the quarter ended March 31, 2021 was \$9.1 million compared to \$5.0 million for the quarter ended March 31, 2020.

The Commercial and Industrial market increased \$1.3 million in Q2 2021 compared to the prior year. This market has started showing some recovery since the initial onset of the pandemic. While some projects in this market were negatively impacted by COVID-19 in fiscal year 2020, the Company's Industrial Hygiene - Occupational Health and Safety service line started being retained to develop and oversee COVID-19 protocols at external client sites, as well as to test and train individuals for personal protective equipment.

The Government market increased \$1.1 million in Q2 2021 over Q2 2020. This was due primarily to the provision of COVID cleaning supplies for schools in communities throughout Nunavut. This demonstrates BluMetric's agility and ability to meet unique client demands, while facing the demands and restrictions imposed by COVID.

The Military market increased \$1.3 million in Q2 2021 compared to the prior year mainly due to increased activity on the Company's multi-year shipboard reverse osmosis desalination (SROD) contract, which contributed \$1.2 million towards the increase. Projects in the Military market are considered essential and therefore have continued uninterrupted.

Gross profit was \$2.7 million for Q2 2021 compared to \$500,000 for Q2 2020. Gross margin was markedly higher at 29% (10% in Q2 2020).

Operating costs decreased slightly to \$1.2 million compared to \$1.3 million in the prior year. The decrease is primarily explained by travel restrictions related to COVID-19 which made it impossible to attend conferences and hold face-to-face client meetings.

In Q2 2020, the Company recorded a non-cash impairment charge of \$1.6 million as it was determined that the full carrying amount of goodwill was impaired.

Net earnings for Q2 2021 were \$1.1 million compared to a loss of (\$2.3) million in Q2 2020.

Year-to-date Q2 2021 compared to year-to-date Q2 2020

	Six Months Ended		Change \$	Change %
	March 31, 2021 \$	March 31, 2020 \$		
Revenue	17,290,916	11,343,820	5,947,096	52%
Gross profit	4,883,091	1,920,899	2,962,192	154%
Gross margin %	28%	17%		
Operating expenses	2,349,825	2,462,521	(112,696)	(5%)
Gain on disposal of assets held for sale	-	(947,914)	(947,914)	(100%)
Goodwill impairment	-	1,592,095	1,592,095	100%
Operating profit (loss)	2,533,266	(1,185,803)	3,719,069	314%
Adjusted EBITDA ¹	2,838,068	(315,081)	3,153,149	1001%
Earnings (loss) before income taxes	2,292,205	(1,454,784)	3,746,989	258%
Income tax expense (recovery)	540,540	(30,843)	571,383	1,853%
Net earnings (loss)	1,751,665	(1,423,941)	3,175,606	223%
Weighted average common shares outstanding	28,679,541	28,675,695	3,846	0.0%
Earnings (loss) per share – basic and diluted	0.06	(0.05)	0.11	220%
Total assets	15,892,061	11,075,867	4,816,194	43%
Working capital	6,446,092	1,636,832	4,809,260	294%
Non-current liabilities	717,990	899,799	(181,809)	(20%)
Shareholders' equity	7,858,247	4,172,808	3,685,439	88%
Net cash (debt) ²	2,028,256	(3,411,398)	5,439,654	159%

Note 1: EBITDA is a non-IFRS measure and is calculated as net income before interest expense, income taxes, depreciation, and amortization. Adjusted EBITDA is a non-IFRS measure (see 'Financial Terms and Definitions') and is calculated as EBITDA before gain on disposal of assets held for sale and goodwill impairment.

Note 2: Net cash (debt) is a non-IFRS measure and is calculated as cash less total debt excluding lease liabilities (see 'Financial Terms and Definitions').

Revenue for the six months ended March 31, 2021 was \$17.3 million compared to \$11.3 million for the six months ended March 31, 2020.

The Government market increased \$2.0 million year-to-date in Q2 2021 over year-to-date Q2 2020. This was primarily due to large projects awarded to the Company for the provision of COVID cleaning supplies for schools in communities throughout Nunavut.

The Commercial and Industrial market increased \$1.8 million in Q2 2021 compared to the prior year primarily due to new service offerings from the Company's Industrial Hygiene - Occupational Health and Safety service line to assist clients in mitigating and the impacts of COVID-19 on their operations.

For the six months ended March 31, 2021, the Military market increased \$1.3 million primarily related to increased activity on the Company's multi-year shipboard reverse osmosis desalination (SROD) contract.

The Mining market increased \$900,000 year-to-date in Q2 2021 over Q2 2020 as new projects commenced and activity resumed on some projects that had been stalled due to COVID.

Gross profit was \$4.9 million (gross margin of 28%) for the six months ended Q2 2021 compared to \$1.9 million (gross margin of 17%) for the six months ended Q2 2020.

Operating costs decreased slightly for the first six months of 2021 to \$2.3 million compared to \$2.5 million in the prior year. The decline is primarily explained by lower levels of travel and conferences related to COVID-19 restrictions.

For the six months ended Q2 2020, the Company recorded a non-cash impairment charge of \$1.6 million as it was determined that the full carrying amount of goodwill was impaired. This was partially offset by a gain on the disposal of its office building at 3108 Carp Road of \$948,000.

Finance costs were \$241,000 year-to-date Q2 2021 compared to \$269,000 in the prior year primarily due to a one-time expense in 2020 related to the repayment of the Company's demand loan once the building at 3108 Carp Road was sold.

Net earnings for the six months ended Q2 2021 were \$1.8 million compared to a loss of (\$1.4) million in the six months ended Q2 2020.

Net cash (see "Financial Terms and Definitions") as at March 31, 2021 was \$2.0 million, a \$5.4 million improvement from net debt of \$3.4 million at March 31, 2020.

EBITDA and Adjusted EBITDA (see "Financial Terms and Definitions")

	Three months ended		Six months ended	
	March 31, 2021 \$	March 31, 2020 \$	March 31, 2021 \$	March 31, 2020 \$
Net income (loss)	1,051,822	(2,268,388)	1,751,665	(1,423,941)
Finance costs	121,521	114,996	241,061	268,981
Income tax expense (recovery)	291,455	(256,620)	540,540	(30,843)
Depreciation and amortization	152,220	118,075	304,802	226,541
EBITDA	1,617,018	(2,291,937)	2,838,068	(959,262)
Gain on disposal of assets held for sale	-	-	-	(947,914)
Impairment of goodwill	-	1,592,095	-	1,592,095
Adjusted EBITDA	1,617,018	(699,842)	2,838,068	(315,081)

The Company recorded adjusted EBITDA of \$1.6 million for the three months ended March 31, 2021, compared with negative (\$700,000) in Q2 2020. Adjusted EBITDA for Q2 2020 excludes a \$1.6 million non-cash impairment charge on goodwill.

The increase in adjusted EBITDA is mainly due to increased project revenue (\$4.1 million increase in Q2 2021 compared to Q2 2020) and a higher gross margin (gross margin was 29% in Q2 2021 compared to 10% in Q2 2020).

For the six months ended March 31, 2021, the Company recorded adjusted EBITDA of \$2.8 million, compared with negative (\$300,000) for the six months ended March 31, 2020.

For more detail, see "Discussion of Results of Operations" and "Quarterly Results".

Quarterly Results

Quarterly financial information for the eight quarters ended March 31, 2021

(in 000's, except as otherwise indicated)

	Q2 2021 Mar 31, 2021 \$	Q1 2021 Dec 31, 2020 \$	Q4 2020 Sept 30, 2020 \$	Q3 2020 June 30, 2020 \$
Revenue	9,139	8,152	10,420	6,858
Cost of sales	6,475	5,933	7,559	5,516
Gross profit	2,664	2,220	2,861	1,342
Gross margin %	29%	27%	27%	20%
Operating expenses	1,199	1,151	1,350	1,118
Other income	-	-	(328)	(833)
Finance costs	122	120	125	114
Earnings before income taxes	1,343	949	1,714	943
Income tax expense	291	249	491	270
Net earnings	1,052	700	1,222	673
Weighted average common shares outstanding - basic	28,683,473	28,675,695	28,675,695	28,675,695
Earnings per share – basic and diluted	0.04	0.02	0.04	0.02
	Q2 2020 Mar 31, 2020 \$	Q1 2020 Dec 31, 2019 \$	Q4 2019 Sept 30, 2019 \$	Q3 2019 June 30, 2019 \$
Revenue	5,028	6,316	6,626	7,035
Cost of sales	4,538	4,885	5,204	5,738
Gross profit	490	1,431	1,422	1,297
Gross margin %	10%	23%	21%	18%
Operating expenses	1,308	1,155	1,274	1,170
Goodwill Impairment	1,592	-	-	-
Gain on disposal of assets held for sale	-	(948)	-	-
Finance costs	115	154	110	115
Earnings (loss) before income taxes	(2,525)	1,070	38	13
Income tax expense (recovery)	(257)	226	(1)	3
Net earnings (loss)	(2,268)	844	39	10
Weighted average common shares outstanding - basic	28,675,695	28,675,695	28,675,695	28,675,695
Earnings (loss) per share – basic and diluted	(0.08)	0.03	0.00	0.00

The Company experiences variability in its results of operations from quarter to quarter due to the nature of the markets and geographies in which it operates. Typically, in the second quarter, the Company experiences slowdowns related to winter weather conditions and holiday schedules. Activity in the fourth quarter generally increases as a result of projects in the North that run in the summer season. Additionally, the Company has a number of discrete contracts that occur throughout the year and can significantly impact the results of any one quarter.

Below are some key highlights for fluctuations quarter over quarter. For information on the operating results please see the Discussion of Results of Operations in each MD&A for each respective quarter.

Highlights on quarter over quarter variances include:

1. Q2 2021 vs Q2 2020: Q2 2021 includes a number of large projects related to COVID-19 for compliance observation and for the provision of COVID cleaning supplies for schools in each community throughout Nunavut. Combined, these projects contributed \$2.2 million in revenue during the quarter. Additionally, an increase of activity on one of the Company's contracts in the Military market contributed an additional \$1.2 million to revenue in Q2 2021 over Q2 2020. The Company recognized an impairment of its goodwill of \$1.6 million in Q2 2020.
2. Q1 2021 vs Q1 2020: Q1 2021 includes large projects related to COVID-19 for compliance observation and for the provision of COVID cleaning supplies for schools in each community throughout Nunavut. Combined, these projects contributed \$1.8 million in revenue during the quarter. In addition, Q1 2020 includes a gain on sale of \$948,000 related to the sale of the Company's office building at 3108 Carp Road.
3. Q4 2020 vs Q4 2019: Q4 2020 includes two large projects, one for the operation and maintenance of a large scale effluent treatment system for the Federal Government at the abandoned Giant Mine in the Northwest Territories and one for the provision of COVID cleaning protocol training and supplies for schools in each community throughout Nunavut. Combined, these two projects contributed \$2.0 million in revenue during the quarter. The Company also received other income of \$328,000 in the period ended September 31, 2020 as a subsidy for employee wages.
4. Q3 2020 vs Q3 2019: The Company received other income of \$833,000 in the period ended June 30, 2020 as a subsidy for employee wages.

Summary of Cash Flows

	Six Months Ended	
	March 31, 2021 \$	March 31, 2020 \$
Cash provided by (used in)		
Operating activities, excluding changes to working capital	2,602,796	(419,260)
Changes related to working capital	(98,005)	(405,078)
Operating activities	2,504,791	(824,338)
Investing activities	(48,135)	1,051,424
Financing activities	(717,686)	(470,184)
Change in cash and cash equivalents	1,738,970	(243,098)
Cash and cash equivalents – Beginning of period	2,470,002	243,098
Cash and cash equivalents – End of period	4,208,972	-
Free cash flow ¹	2,232,570	39,162

Note 1: Free cash flow is a non-IFRS measure and is calculated as operating cash flows less net capital expenditures and net payment of lease obligations (see 'Financial Terms and Definitions').

Cash produced from operating activities was \$2.5 million in the six months ended March 31, 2021 compared with cash used in operating activities of \$824,000 in the same period in 2020. The majority of the \$3.3 million increase was a result of higher revenue and corresponding gross profit.

Investing activities consumed \$48,000 of cash in the first six months of 2021 compared to cash provided by investing activities of \$1.1 million in the same period for 2020. The decrease is almost entirely related to the sale of the Company's office building at 3108 Carp Road in Q1 2020, which provided net proceeds of \$1.1 million.

For the six months ended March 31, 2021, cash used in financing activities was \$718,000 compared to cash used by financing activities of \$470,000 in the same period of 2020. The higher use of cash in 2021 relates to the commencement of monthly repayments of the Company's term debt.

Free cash flow increased to \$2.2 million year-to-date Q2 from \$39,000 in 2020, mainly due to the large increase in cash from improved operations in the current year.

Liquidity

The Company's short-term credit facilities consist of an operating credit line in the amount of \$2.5 million, which is a shared limit between its overdraft facility and letters of credit. The facility carries a floating interest at prime plus 2.25%, is collateralized by a first ranking general security agreement over all of the Company's present and future assets, is subject to margining based on the amounts of eligible accounts receivable and has no contractual maturity.

For the period ended March 31, 2021, the effective interest rate under this facility was 4.7% (2020 – 4.7%). As at March 31, 2021, the Company had drawn \$nil on its operating facility and \$nil in letters of credit (March 31, 2020 – \$nil and \$nil respectively). The Company's eligible accounts receivable exceeded the margining threshold, making the \$2.5 million facility fully available to the Company.

Subsequent to March 31, 2021, the Company entered into a letter of agreement with its bank for a new \$2.0 million term loan. The proceeds from the new term loan were used to extinguish the existing term loan that was due to expire August 15, 2021. The new term loan has a closed four-year term and carries an interest rate of 3.28% per annum with monthly blended payments of \$44,517 commencing May 31, 2021. The interest rate of 3.28% for the new term loan compares to an effective interest rate of 14% on the existing loan and is expected to generate significant interest savings for the Company over the next four years. The new term loan matures April 30, 2025, will be carried at amortized cost and is subject to the same covenants as the Company's short term credit facilities.

As at March 31, 2021, the Company had approximately \$6.7 million in availability between its operating line and cash balances and was in compliance with all its covenants. The Company believes this is sufficient liquidity to meet its needs.

Business Outlook

The following comments include forward-looking information and users are cautioned that actual results may vary.

The duration and full financial effect of the COVID-19 pandemic is still unknown at this time. Despite this uncertainty, BluMetric believes that the following factors have and will continue to position BluMetric for growth:

- Utilizing the Company's position as an established provider of Industrial Hygiene / Occupational Health and Safety expertise to assist new and existing clients with COVID-19 related challenges.
- The deemed "essential" nature of many of BluMetric's projects;
- The Company's diversified service offerings and market sectors;
- The implementation of a Pandemic Response Plan to ensure compliance with health and safety guidelines;
- Business processes implemented since the beginning of the pandemic which allow the Company to manage its discretionary and non-discretionary costs in response to changing conditions;
- Increased liquidity, if needed, from a higher borrowing limit on its operating credit line; and
- Interest cost reductions related to a decline in effective interest on the Company's term debt from 14% to 3.28%.

Over the coming months, the Company will continue to pursue opportunities and build on the successes of the first half of 2021. The Company also intends to pursue future sizeable contracts in the North by building on project successes and relationships developed through several large undertakings in the previous year.

Business Risks

The reader is referred to the discussion on Business Risks found in the Company's MD&A for the year ended September 30, 2020.

COVID-19's impact on Canada is expected to continue into 2021.

Potential impacts on BluMetric related to COVID-19 include:

- Downside risks:
 - Government response and related shut-downs to remediate on-going waves of COVID-19;
 - Compressed margins at some existing projects due to higher costs from modified work arrangements;
 - Vendor price increases as they attempt to pass-through higher costs;
 - Continued or additional suspensions at some of the Company's projects;
 - Supply disruptions related to materials or labour;
 - Pressure on charge rates; and
 - Clients seeking price concessions due to weak economic conditions.
- Upside risks
 - Effective government response measures to COVID-19, including the current vaccine roll-out, bringing a faster than expected return to normal; and
 - Additional project awards to assist clients in managing and mitigating the impact of COVID-19 on their operations.

Capital Resources

The Company's future growth strategy contemplates investment in various technologies and processes requiring capital for prototyping purposes. Accordingly, the Company may opportunistically approach capital markets for additional equity funding if conditions are favourable.

Critical Accounting Estimates and Judgements

The reader is referred to the detailed discussion on critical accounting estimates and judgements found in Note 2 of the Company's audited financial statements and related notes for the year ended September 30, 2020.

Contractual Obligations

The reader is referred to Note 23 of the Company's audited financial statements for the year ended September 30, 2020.

Off-Balance Sheet Arrangements

Many of the Company's operating leases have fallen under IFRS 16 as implemented on October 1, 2019 and are now capitalized on the Statement of Financial Position. For contractual commitments not recognized on the Statement of Financial Position, the reader is referred to Note 23 of the Company's audited financial statements for the year ended September 30, 2020.

Transactions with Related Parties

All related-party transactions are conducted under terms and conditions reflecting prevailing market conditions at the transaction date and are recorded at the amounts agreed upon by the parties.

The remuneration of key management personnel, including directors, during the period was as follows:

	Three months ended		Six months ended	
	March 31, 2021 \$	March 31, 2020 \$	March 31, 2021 \$	March 31, 2020 \$
Salaries	257,181	237,728	457,613	437,883
Short-term benefits	25,373	25,421	50,747	52,510
Share-based compensation	10,422	2,925	14,407	7,786
	292,976	266,074	522,767	498,179

Proposed Transactions and Subsequent Events

There are no proposed transactions or subsequent events for the quarter ended March 31, 2021.

Summary of Outstanding Shares and Dilutive Instruments

The Company currently has the following shares and dilutive instruments outstanding:

Shares: 28,755,695 common shares
 Options: 770,000 options

Inter-Corporate Relationships

There are no inter-corporate relationships for the quarter ended March 31, 2021.

Financial Terms and Definitions

Definition of Non-GAAP Measures

This Management Discussion and Analysis includes reference to and uses terms that are not specifically defined in IFRS and do not have any standardized meaning prescribed by IFRS. These non-GAAP measures may not be comparable to similar measures presented by other companies. The Company believes that the measures defined here are useful for providing investors with additional information to assist them in understanding components of the financial results.

EBITDA: EBITDA represents net income before interest expense, income taxes, depreciation of property and equipment, and amortization of intangible assets. The Company uses this measure as part of assessing operating performance. There is no direct comparable IFRS measure for EBITDA.

Adjusted EBITDA: Adjusted EBITDA additionally excludes items that are significant and irregular, such as the gain on disposal of assets held for sale and goodwill impairment.

Management believes that Adjusted EBITDA as defined above is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures and uses the metric for this purpose. Adjusted EBITDA is also used by investors and analysts for valuation purposes. The intent of Adjusted EBITDA is to provide additional useful information to investors and analysts. The measure does not have any standardized meaning under IFRS. Adjusted EBITDA should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate Adjusted EBITDA differently.

Free cash flow: Free cash flow is a non-IFRS measure and is calculated as operating cash flows less capital expenditures and net payment of lease obligations. The Company uses this measure as part of assessing the availability of discretionary cash as part of its liquidity management. There is no directly comparable IFRS measure under IFRS.

Net cash (debt): Net cash (debt) is a non-IFRS measure and is calculated as cash less total debt excluding lease liabilities. The Company uses this measure as part of assessing liquidity. There is no directly comparable measure under IFRS.

Management's Responsibility for Financial Reporting

The condensed interim financial statements of BluMetric Environmental Inc. and all the information in this Management Discussion and Analysis have been prepared by management, which is solely responsible for the integrity and fairness of the data presented, including the many amounts, which due to necessity, are based on estimates and judgments. The accounting policies followed in the preparation of these financial statements conform to IFRS Financial Reporting Standards. When alternative accounting methods exist, management has chosen those that it deems most appropriate in the circumstances. Financial information presented throughout this report is consistent with that in the financial statements.

BluMetric maintains systems of internal accounting and administrative controls to provide reasonable assurance that the financial information is relevant, reliable and accurate and that transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors is responsible, principally through its Audit Committee, for ensuring that management fulfills its financial reporting responsibility.

Additional Information

Additional information on the Company can be found at www.blumetric.ca and at www.sedar.com.